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Water Company, LLC.

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Arizona Corporation Commission

DOCKETED

SEP 19 2011

AZ CORP COMMISSION
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BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF)
MONTEZUMA RIMROCK WATER)
COMPANY, LLC FOR APPROVAL OF A)
RATE INCREASE.)

DOCKET NO. W-04254A-08-0361

DOCKET NO. W-04254A-08-0362

IN THE MATTER OF THE APPLICATION OF)
MONTEZUMA RIMROCK WATER)
COMPANY, LLC FOR APPROVAL OF A)
FINANCING APPLICATION)

REPORT OF MONTEZUMA
RIMROCK WATER COMPANY,
LLC

PURSUANT TO Judge Sarah N. Harpring's order dated August 24, 2011 directing the water company to file a report detailing how it proposes to finance construction of the arsenic treatment facility, the water company submits the following:

In connection with its financing application for funding of construction of the arsenic treatment plant, the Company had itemized the cost of construction as follows:

1. Arsenic treatment system at 160 GPM	\$ 81,746
Adedge treatment – absorption media	
2. Grading and concrete slab at Well #1	5,816
3. Plumbing modifications and upgrade electrical	6,812
4. Water line interconnection with Well #1 and	42,870
Well #4 – 2,500 feet of 4-inch PVP pipe	
5. New pump house, 10' x 20'	5,907
6. Radio telemetry	8,158
7. Engineering (8.3%)	<u>13,691</u>
Total	\$ 165,000

1 Patricia Olsen has paid from personal funds \$7,000 to Norm Rask in connection with the water
2 line interconnection [Item #4]. She seeks reimbursement of that sum from the loan proceeds
3 along with other personal funds advanced, according to proof, in connection with the treatment
4 plant construction.

5
6 Sunwest Bank has tentatively committed to lend the Company the funds it needs subject
7 to a ruling from the Arizona Corporation Commission allowing for interim rates to increase the
8 Company's revenues by \$37,536 per year. Copies of relevant correspondence from Lori Barlow
9 of Sunwest Bank are appended hereto. In her June 10, 2011 letter, she proposed loan terms "as
10 an example" along the following lines:
11

12 Loan amount of \$165,000
13 Amortized over 10 years
14 Interest rate of 7.5%
Estimated annual loan payments of approximately \$23,503.

15 A rate increase of \$15.64 per month for each of the Company's estimated 200 customers would
16 increase its revenues by \$37,536. The Company is informed and believes that, when such rate
17 increase is authorized, Sunwest Bank will formalize its loan commitment.

18
19 Undersigned counsel for the Company advised the Court on September 13, 2011 that
20 Sunwest Bank would also require a security interest in the assets of the Company. The water
21 company therefore requests authorization from the corporation commission to encumber its
22 assets to secure the loan.

23 Because the Company lacks the cash to collateralize a bond, it proposes the following
24 measures to assure that the borrowed funds are properly allocated and that the arsenic
25 remediation surcharge is used to repay the loan:
26

27 1. The borrowed funds would be deposited into a trust account earmarked for income
28 and expenses attributable to construction of the treatment plant.

1 2. Payments to contractors and vendors hired to build the plant will be paid from the
2 trust account.

3 3. Income received from the arsenic remediation surcharge will be deposited into the
4 trust account.

5 4. Payments to the lender will be made from the trust account.

6 5. Accountings which reflect disposition of income to and expenses paid from the trust
7 account will be filed with the commission at such intervals as the Court directs.

8 6. Upon satisfaction of the loan, the interim rates would terminate and the lender's
9 security interest in the Company's assets released.

10 DATED this 19th day of September, 2011.

11 LAW OFFICE OF DOUGLAS C. FITZPATRICK

12 By 
13 _____

14 Douglas C. Fitzpatrick
15 Attorney for Montezuma Rimrock Water
16 Company, LLC
17

18
19
20 COPY of the foregoing mailed
21 this 19th day of September,
22 2011, to:

23 Darak R. Eaddy
24 Utilities Division
25 Arizona Corporation Commission
26 1200 West Washington Street
27 Phoenix, Arizona 85007

28 John Dougherty
29 PO Box 501
30 Rimrock, Arizona 86335

1 Patricia D. Olsen
2 Montezuma Rimrock Water
3 Company, LLC
4 PO Box 10
5 4615 E. Goldmine Road
6 Rimrock, Arizona 86335
7
8 Mrs. Janice M. Alward
9 Chief, Legal Division
10 Arizona Corporation Commission
11 Legal Division
12 1200 West Washington Street
13 Phoenix, Arizona 85007
14
15 Mr. Steven M. Olea
16 Director, Utilities Division
17 Arizona Corporation Commission
18 Legal Division
19 1200 West Washington Street
20 Phoenix, Arizona 85007
21
22 Ms. Lyn Farmer
23 Chief, Hearing Division
24 Arizona Corporation Commission
25 Legal Division
26 1200 West Washington Street
27 Phoenix, Arizona 85007
28

18 
19 _____
20 Douglas C. Fitzpatrick



704 South Main Street • Cottonwood, Arizona 86326 • Phone: 928/634-8880 • Fax: 928/534-6666

June 10, 2011

Patricia Olsen
Montezuma Rimrock Water Company, LLC
4615 E Goldmine Rd
Rimrock, AZ 86335

RE: \$165,000 term loan request

Dear Ms. Olsen,

In reviewing your company's financials there does not appear to be sufficient cash flow to debt service your loan request.

Typically, we like to see a debt service ratio of 1.25%.

As an example:

Loan amount of \$165,000
Amortized over 10 years
Interest rate of 7.5%
Estimated annual loan payments would be around \$23,503.

The income reported on your 2010 tax returns shows a net loss for the year and so there is no reported income to support this loan request. In order to meet the minimum cash flow requirements based on this example and your current negative cash flow you would need to increase your revenues by \$37,536 to support this request.

Please contact me at your convenience to discuss.

Sincerely,


Lori Marie Barlow
Vice President



704 South Main Street • Cottonwood, Arizona 86326 • Phone: 928/634-8880 • Fax: 928/634-6668

August 9, 2011

Patricia Olsen
Montezuma Rimrock Water Company, LLC
4615 E Goldmine Rd
Rimrock, AZ 86335

Re: \$165,000 term loan request

Dear Ms. Olsen,

This letter is to notify you that we are still considering your request for \$165,000 term loan. To move forward I need to obtain a copy of the ruling from the Department of Corporations regarding their decision on a rate increase for the Montezuma Rimrock Water Company district. Once a decision has been made and you are able to provide me with a copy of their decision we can move forward in this process.

I look forward to hearing from you.

Sincerely,

A handwritten signature in black ink, appearing to read 'Lori Marie Barlow', written over a horizontal line.

Lori Marie Barlow
Vice President